

# **Boston Township**

**Ionia County, Michigan**

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## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended March 31, 2008**

# Boston Township

Ionia County, Michigan

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March 31, 2008

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# Boston Township

Ionia County, Michigan

## Contents

March 31, 2008

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## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Boston Township  
Ionia County, Michigan


We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Boston Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Boston Township management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund and the aggregate remaining fund information of Boston Township as of March 31, 2008, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boston Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Grand Rapids, Michigan  
September 24, 2008

# Boston Township

Ionia County, Michigan

## Management Discussion and Analysis

For the year ended March 31, 2008

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### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets increased 8% from a year ago, increasing from \$934,017 to \$1,022,369.

In a condensed format, the table below shows a comparison of the net assets as of March 31, 2008 to the prior year:

	Governmental Activities	
	2008	2007
Current assets	\$ 1,086,416	\$ 1,005,693
Noncurrent assets	91,960	95,401
Total assets	1,178,376	1,101,094
Long-term debt outstanding	152,985	141,386
Other liabilities	3,022	25,691
Total liabilities	156,007	167,077
Net assets		
Invested in capital assets - net of debt	91,960	95,401
Restricted	573,743	531,998
Unrestricted	356,666	306,618
Total net assets	\$ 1,022,369	\$ 934,017

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$50,048 for the governmental activities. This represents an increase approximately 16%. The current level of unrestricted net assets for our governmental activities stands at \$356,666, or about 82% of expenses.

# Boston Township

Ionia County, Michigan

## Management Discussion and Analysis

For the year ended March 31, 2008

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The following table shows the changes of the net assets as of March 31, 2008:

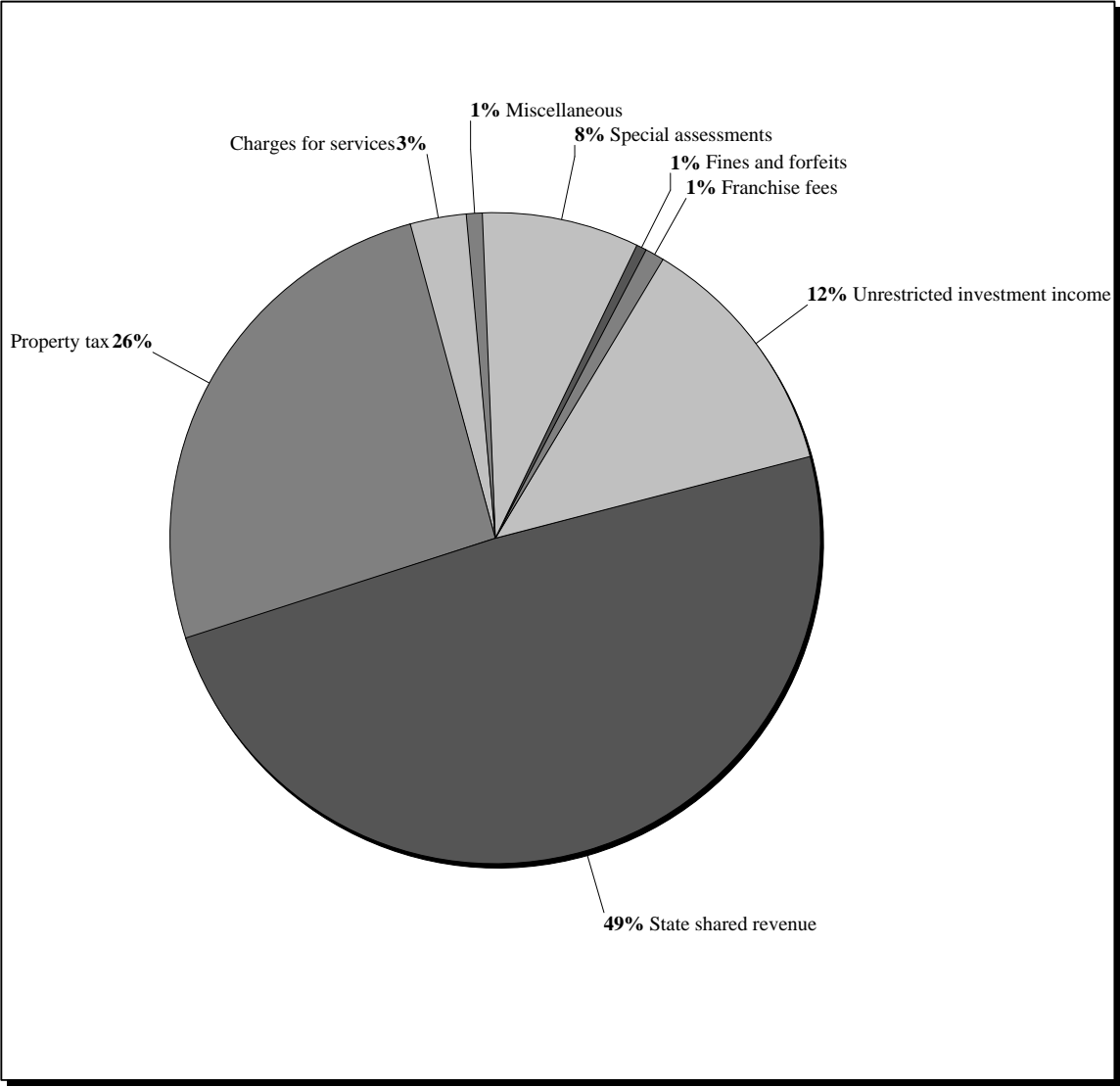
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<u>Program revenues</u>		
Charges for services	\$ 14,709	\$ 17,317
<u>General revenue</u>		
Property tax	134,269	126,829
State shared revenue	255,811	248,021
Unrestricted investment income	64,321	43,149
Franchise fees	4,926	4,933
Fines and forfeits	2,636	4,620
Special assessments	40,690	43,163
Miscellaneous	3,955	8,802
<u>Total revenues</u>	<u>521,317</u>	<u>496,834</u>
<u>Program expenses</u>		
General government	218,971	210,769
Public safety	91,555	100,844
Public works	103,533	81,844
Health and welfare	10,414	10,414
Community and economic development	-	2,937
Interest on long-term debt	8,492	8,596
<u>Total expenses</u>	<u>432,965</u>	<u>415,404</u>
<u>Change in net assets</u>	<u>\$ 88,352</u>	<u>\$ 81,430</u>

# Boston Township

Ionia County, Michigan  
Management Discussion and Analysis  
For the year ended March 31, 2008

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The following chart illustrates the sources of the Township's revenue.

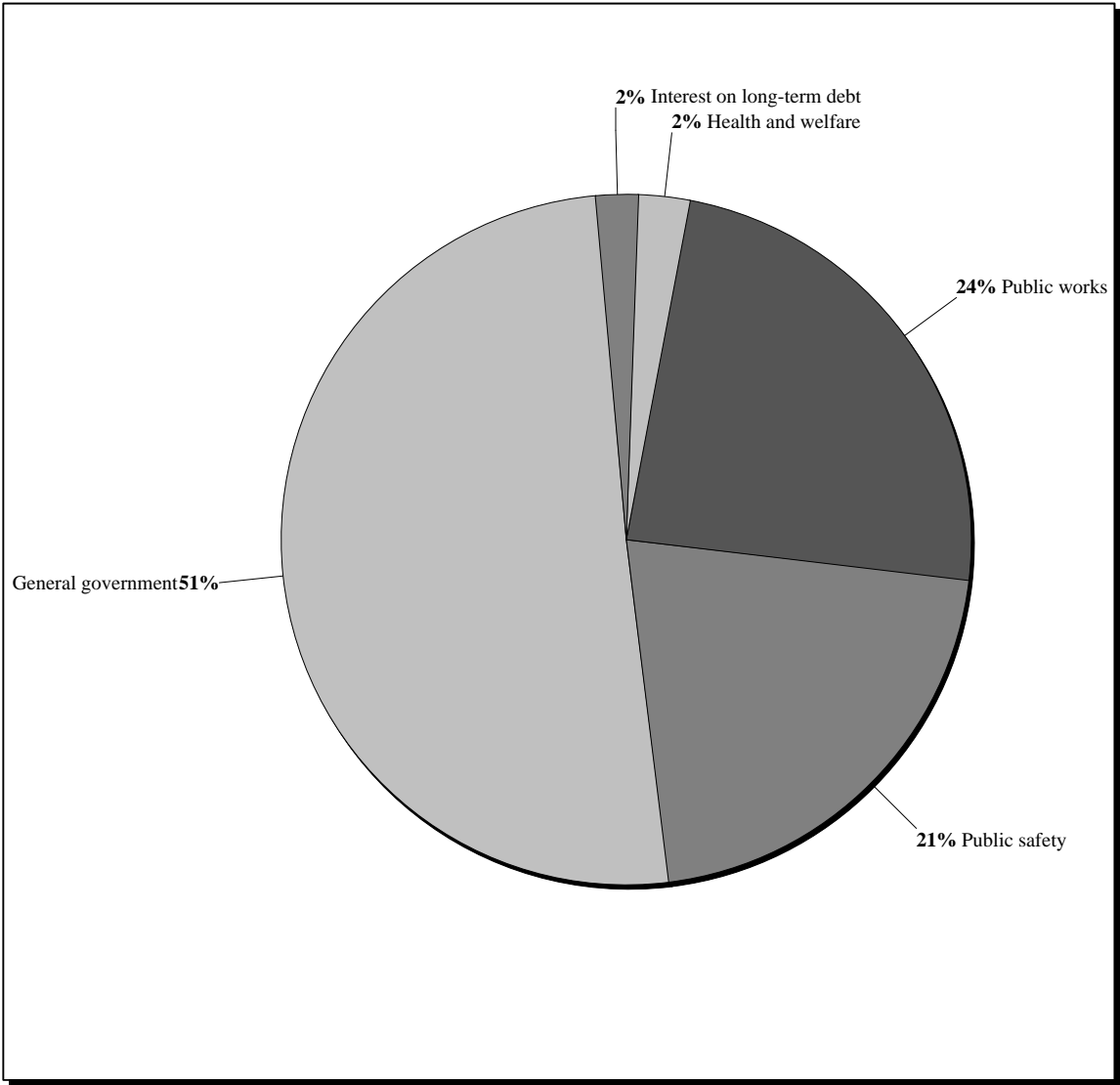


# Boston Township

Ionia County, Michigan  
Management Discussion and Analysis  
For the year ended March 31, 2008

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The following chart illustrates the Township's expenses.





# **Boston Township**

Ionia County, Michigan

## **Management Discussion and Analysis**

For the year ended March 31, 2008

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### **Governmental Activities**

The were no significant change in governmental activities from the previous year.

### **The Township's Funds**

Our analysis of the Township's major fund begins on page 13, following the Township wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds in 2008 were the General Fund and the Improvement Revolving Special Revenue Fund.

### **Capital Asset and Debt Administration**

At the March 31, 2008, the Township had \$91,960, net of accumulated depreciation, invested in land, building and equipment. Long-term debt at the beginning of the year was \$180,262. There were no additions to long-term debt and reductions of \$27,277 resulted in ending long-term debt of \$152,985. All of the long-term debt is being repaid by special assessments collected from property owners.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's General Fund budget for 2009 remains little changed from 2008.

The Township's State Equalized Value is the highest of any taxing jurisdiction in Ionia County, over 200 million dollars. Township officials expect continued growth, particularly in new residential construction.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Boston Township Hall, 30 North Center Street, Saranac, Michigan, 48881. The Township's phone number is (616) 642-6636.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# Boston Township

Ionia County, Michigan

## Statement of Net Assets

For the year ended March 31, 2008

	Governmental activities
<b><u>GOVERNMENTAL ASSETS</u></b>	
Cash and investments	\$ 463,447
Investments	611,592
Receivables (net)	11,377
Capital assets (net)	91,960
<b>TOTAL ASSETS</b>	<b>\$ 1,178,376</b>
<b><u>GOVERNMENTAL LIABILITIES</u></b>	
Accrued and other liabilities	\$ 3,022
Due within one year	26,985
Due in more than one year	126,000
<b>TOTAL LIABILITIES</b>	<b>156,007</b>
<b><u>GOVERNMENTAL NET ASSETS</u></b>	
Restricted for	
Debt service	48,571
Capital projects	525,172
Invested in capital assets - Net of related debt	91,960
Unrestricted	356,666
<b>TOTAL NET ASSETS</b>	<b>1,022,369</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,178,376</b>

The Notes to the Financial Statements are an integral part of this statement.

# Boston Township

Ionia County, Michigan

## Statement of Activities

For the year ended March 31, 2008

Functions/Programs	Expenses	Charges for services	Governmental activities
<b>PRIMARY GOVERNMENT EXPENSES</b>			
General government	\$ 218,971	\$ 14,709	\$ (204,262)
Public safety	91,555	-	(91,555)
Public works	103,533	-	(103,533)
Health and welfare	10,414	-	(10,414)
Interest on long-term debt	8,492	-	(8,492)
<b>Total Governmental activities</b>	<b>\$ 432,965</b>	<b>\$ 14,709</b>	<b>(418,256)</b>

### General Revenues

Property taxes	134,269
State-shared revenue	255,811
Unrestricted investment income	64,321
Franchise fees	4,926
Fines and forfeitures	2,636
Special assessments	40,690
Miscellaneous	3,955
<b>Total general revenues - special items and transfers</b>	<b>506,608</b>

<b>Change in net assets</b>	<b>88,352</b>
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<b>Net assets at beginning of year</b>	<b>934,017</b>
<b>Net assets at end of year</b>	<b>\$ 1,022,369</b>

The Notes to the Financial Statements are an integral part of this statement.

# Boston Township

Ionia County, Michigan

Governmental Funds

Balance Sheet

March 31, 2008

	General Fund		Public Improvement Revolving Fund		Nonmajor Funds		Total
<b><u>ASSETS</u></b>							
Cash	\$	301,762	\$	102,818	\$	58,867	\$ 463,447
Investments		199,534		412,058		-	611,592
Taxes receivable		11,377		-		-	11,377
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>512,673</b>	<b>\$</b>	<b>514,876</b>	<b>\$</b>	<b>58,867</b>	<b>\$ 1,086,416</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>							
<b>LIABILITIES</b>							
Payroll deductions payable	\$	230	\$	-	\$	-	\$ 230
Deposits payable		2,792		-		-	2,792
<b>TOTAL LIABILITIES</b>		<b>3,022</b>		<b>-</b>		<b>-</b>	<b>3,022</b>
<b>FUND BALANCES</b>							
Reserved for							
Debt Service		-		-		48,571	48,571
Capital projects		-		514,876		10,296	525,172
Undesignated		509,651		-		-	509,651
<b>TOTAL FUND BALANCES</b>		<b>509,651</b>		<b>514,876</b>		<b>58,867</b>	<b>1,083,394</b>
<b>TOTAL LIABILITIES AND FUND</b>							
<b>BALANCES</b>	<b>\$</b>	<b>512,673</b>	<b>\$</b>	<b>514,876</b>	<b>\$</b>	<b>58,867</b>	<b>\$ 1,086,416</b>

The Notes to the Financial Statements are an integral part of this statement.

# Boston Township

Ionia County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended March 31, 2008

Total fund balances - total governmental funds	\$	1,083,394
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	160,102
Accumulated depreciation	(68,142)
<b>Net capital assets</b>	<b>91,960</b>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at March 31, 2008 were:

Paradise Park Construction debt	(14,046)
Breezy Point Construction debt	(1,939)
Tiffany Street Construction Debt	(137,000)
<b>Net assets of governmental activities</b>	<b>\$ 1,022,369</b>

The Notes to the Financial Statements are an integral part of this statement.

# Boston Township

Ionia County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2008

	General Fund	Public Improvement Revolving Fund	Nonmajor Funds	Total
<b>REVENUE</b>				
Property taxes	\$ 134,271	\$ -	\$ -	\$ 134,271
State grants	255,811	-	-	255,811
Licenses and permits	1,200	-	-	1,200
Fines and forfeits	2,636	-	-	2,636
Charges for services	20,561	-	-	20,561
Interest and rents	29,116	36,793	112	66,021
Other revenue	129	-	-	129
Special assessments	-	-	40,690	40,690
<b>TOTAL REVENUE</b>	<b>443,724</b>	<b>36,793</b>	<b>40,802</b>	<b>521,319</b>
<b>EXPENDITURES</b>				
General government	184,307	-	-	184,307
Public safety	91,555	-	-	91,555
Public works	103,522	-	-	103,522
Health and welfare	10,414	-	-	10,414
Other governmental functions	17,002	-	-	17,002
Debt service	-	-	35,769	35,769
Capital outlay	-	-	80	80
<b>TOTAL EXPENDITURES</b>	<b>406,800</b>	<b>-</b>	<b>35,849</b>	<b>442,649</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>36,924</b>	<b>36,793</b>	<b>4,953</b>	<b>78,670</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>472,727</b>	<b>478,083</b>	<b>53,914</b>	<b>1,004,724</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 509,651</b>	<b>\$ 514,876</b>	<b>\$ 58,867</b>	<b>\$ 1,083,394</b>

The Notes to the Financial Statements are an integral part of this statement.

# Boston Township

Ionia County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2008

Net change in fund balances - total governmental funds	\$	78,670
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		
Governmental funds report capital outlays as expenditures, in the statement of activities, these costs are allocated over their estimated useful lives. This is the amount of capital outlay in the current period		13,123
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(3,441)
Change in net assets of government activities	\$	88,352

The Notes to the Financial Statements are an integral part of this statement.



# Boston Township

Ionia County, Michigan

Fiduciary Fund

Statement of Net Assets

For the year ended March 31, 2008

		Agency Fund Type
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$	62,005
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>LIABILITIES</u></b>		
Undistributed taxes	\$	5
<b><u>NET ASSETS</u></b>		
Held in trust for Cemetery maintenance		62,000
<b>LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>62,005</b>

The Notes to the Financial Statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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# **Boston Township**

Ionia County, Michigan

## **Notes to Basic Financial Statements**

For the year ended March 31, 2008

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Boston Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Boston Township:

#### **A. Reporting Entity**

Boston Township is governed by an elected seven-member Board. The Township has no component units, entities for which the government is considered to be financially accountable.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Boston Township has no proprietary funds. The Township has two fiduciary funds, the Tax Agency Fund and the Cemetery Perpetual Care Fund.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

# Boston Township

Ionia County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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Boston Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Boston Township as of the preceding December 31st.

It is Boston Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of Boston Township totaled \$163,339,157, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	0.7681 \$	125,461

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Public Improvement Revolving Special Revenue Fund accumulates non-tax revenue set aside for statutory public improvements.

Additionally, the government reports the following fund types:

### Debt Service Funds

The Paradise Park Debt Service Fund accounts for special assessments collected to pay long-term debt related to construction of a private road.

The Breezy Point Debt Service Fund accounts for special assessments collected to pay long-term debt related to construction of a private road.

The Tiffany Street Debt Service Fund accounts for special assessments collected to pay long-term debt related to construction of a road.

### Capital Projects Fund

The Tiffany Street Paving Capital Projects Fund accounts for bond proceeds to pave a street.

### Trust and Agency Funds

The Trust and Agency Fund accounts for property tax collected on behalf of the Township and other units.

The Cemetery Trust Fund accounts for money set aside to provide for maintenance of the Township's Cemeteries.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

# Boston Township

Ionia County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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### D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**Capital Assets**--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# **Boston Township**

**Ionia County, Michigan**

**Notes to Basic Financial Statements**

**For the year ended March 31, 2008**

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## **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.**

**The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:**

**On or before March 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.**

**A public hearing is conducted at the Township hall to obtain taxpayer comments.**

**On or before March 31, the budget is adopted by resolution.**

**Any revisions that alter the total expenditures of any fund must be approved by the Township Board.**

**Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.**

**Budgets as presented for the General Fund, Special Revenue Fund and Debt Service Funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.**

**Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.**

**The Township legally adopts budgets for the General Fund, Special Revenue Fund and Debt Service Funds.**

**Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.**

**The legal level of control is at the activity level of the General Fund.**

**The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.**

**The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.**

# Boston Township

Ionia County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes Boston Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$358,625 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Type of investment	Carrying value	How held
AG Edwards	\$610,958	Counterparty
United Bank	74,556	Counterparty

# Boston Township

Ionia County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with not more than a 270-day maturity. In addition, treasury bills, bonds, and securities of the United States or an agency or instrumentality of the United States must have a remaining maturity of two years or less, unless purchased for a debt retirement or other long-term investment account. At year end, the average maturities of investments are as follows:

Investment	Fair value	Weighted Average Maturity (Years)
Certificates of Deposit	\$169,898	0.98
Federal Home Loan Bank Bonds	125,039	11.57
Federal Home Loan Mortgage Notes	250,081	16.40
Federal National Mortgage Association Notes	140,497	13.08

### Concentration of Credit Risk

According to the Township's investment policy, unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities are to be avoided. Of the Township's investments, more than 5 percent are in the following:

Investment	Percent
Certificates of Deposit	24.78%
Federal Home Loan Bank Bonds	18.24
Federal Home Loan Mortgage Notes	36.48
Federal National Mortgage Association Notes	20.50



# Boston Township

Ionia County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

### **NOTE 4 - RECEIVABLES**

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

		General Fund
Taxes receivable	\$	11,377
Net Receivables	\$	11,377

### **NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Assets not being depreciated	\$ 38,877	\$	\$	\$ 38,877
Capital assets being depreciated:				
Buildings and improvements	121,225			121,225
Accumulated depreciation:				
Buildings and improvements	64,701	3,441		68,142
Net capital assets being depreciated	56,524	(3,441)		53,083
Net capital assets	\$ 95,401	\$ (3,441)	\$	\$ 91,960

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,441

# Boston Township

Ionia County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

### **NOTE 6 - LONG-TERM DEBT**

The Township issues long-term special assessment debt to provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. Long-term debt activity can be summarized as follows:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Paradise Park Special Assessment Debt	\$ 26,620	\$	\$ 12,574	\$ 14,046	\$ 14,046
Breezy Point Special Assessment Debt	5,642		3,703	1,939	1,939
Tiffany Street Special Assessment Debt	148,000		11,000	137,000	11,000
	\$ 180,262	\$	\$ 27,277	\$ 152,985	\$ 26,985

Annual debt service requirements to maturity for the above obligations are as follows:

Year ended March 31,	Principal	Interest	Total
2009	\$ 26,985	\$ 8,060	\$ 35,045
2010	11,000	5,724	16,724
2011	15,000	5,106	20,106
2012	11,000	4,489	15,489
2013	15,000	3,872	18,872
2014	11,000	3,254	14,254
2015	11,000	2,731	13,731
2016	11,000	2,209	13,209
2017	15,000	1,592	16,592
2018	11,000	974	11,974
2019	15,000	356	15,356
Totals	\$ 152,985	\$ 38,367	\$ 191,352

### **NOTE 7 - RISK MANAGEMENT**

Boston Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Boston Township has purchased commercial insurance for property loss, torts, and errors and omissions claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS**

The Township has no post-retirement benefit plans at this time.

# **Boston Township**

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2008

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## **NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

### **Defined Contribution Pension Plan**

Boston Township provides pension benefits to certain employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Boston Township contributes 15 percent of each Township Board members' gross earnings. Township contributions plus interest allocated to each employee's account are fully vested upon enrollment in the plan.

Total Township's total payroll for the current year was \$64,761. The current year contribution was calculated based on covered payroll of \$50,406, resulting in an employer contribution of \$10,390.

## REQUIRED SUPPLEMENTAL INFORMATION

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# Boston Township

Ionia County, Michigan

General fund

Balance Sheet

March 31, 2008

	2008	2007
<b>ASSETS</b>		
Cash	\$ 301,762	\$ 220,927
Investments	199,534	240,295
Accounts receivable	-	1,279
Taxes receivable	11,377	11,194
<b>TOTAL ASSETS</b>	<b>\$ 512,673</b>	<b>\$ 473,695</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Payroll deductions payable	\$ 230	\$ 968
Deposits payable	2,792	-
<b>TOTAL LIABILITIES</b>	<b>3,022</b>	<b>968</b>
<b>FUND BALANCES</b>		
Unreserved, undesignated	509,651	472,727
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 512,673</b>	<b>\$ 473,695</b>

# Boston Township

Ionia County, Michigan

General fund

## Budgetary Comparison Schedule

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Original budget	Final budget	Actual	Variance with final budget	2007
<b>REVENUES</b>					
Property Taxes					
Current real property taxes	\$ 124,000	\$ 124,000	\$ 126,328	\$ 2,328	\$ 118,419
Penalties and interest on taxes	-	-	-	-	655
Property tax administration fee	7,500	7,500	7,943	443	7,755
<b>Total Property Taxes</b>	<b>131,500</b>	<b>131,500</b>	<b>134,271</b>	<b>2,771</b>	<b>126,829</b>
State Grants					
State revenue sharing	240,000	240,000	250,090	10,090	248,021
Other state grants	-	-	5,721	5,721	5,757
<b>Total State Grants</b>	<b>240,000</b>	<b>240,000</b>	<b>255,811</b>	<b>15,811</b>	<b>253,778</b>
Business licenses and permits	3,000	3,000	1,200	(1,800)	2,600
Fines and forfeitures	4,500	4,500	2,636	(1,864)	4,620
Charges for Services					
Services rendered	16,000	13,850	11,326	(2,524)	10,778
Sales	7,030	7,030	4,259	(2,771)	4,437
Fees	5,850	5,850	4,976	(874)	5,033
<b>Total Charges for Services</b>	<b>28,880</b>	<b>26,730</b>	<b>20,561</b>	<b>(6,169)</b>	<b>20,248</b>
Interest and Rentals					
Interest and dividends	20,200	20,200	27,616	7,416	19,761
Rent	1,500	1,500	1,500	-	2,000
<b>Total Interest and Rentals</b>	<b>21,700</b>	<b>21,700</b>	<b>29,116</b>	<b>7,416</b>	<b>21,761</b>
Other Revenue					
Refunds	-	-	129	129	240
Other	6,300	300	-	(300)	8
<b>Total Other Revenue</b>	<b>6,300</b>	<b>300</b>	<b>129</b>	<b>(171)</b>	<b>248</b>
<b>TOTAL REVENUES</b>	<b>435,880</b>	<b>427,730</b>	<b>443,724</b>	<b>15,994</b>	<b>430,084</b>

# Boston Township

Ionia County, Michigan

General fund

## Budgetary Comparison Schedule

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Original budget	Final budget	Actual	Variance with final budget	2007
<b>EXPENDITURES</b>					
General government					
Township board	\$ 10,400	\$ 10,400	\$ 9,961	\$ 439	\$ 10,363
Supervisor	18,200	18,200	15,228	2,972	16,373
Clerk	16,300	16,300	16,344	(44)	16,750
Audit	4,000	4,000	4,738	(738)	4,000
Board of review	630	630	570	60	780
Treasurer	24,300	24,300	24,645	(345)	26,499
Assessor	35,000	35,000	31,139	3,861	31,989
Elections	4,600	4,600	5,861	(1,261)	11,067
Building and grounds	19,000	16,500	16,181	319	28,187
Attorney	23,000	20,000	22,417	(2,417)	20,452
Cemetery	53,150	53,150	37,223	15,927	33,825
<b>Total General government</b>	<b>208,580</b>	<b>203,080</b>	<b>184,307</b>	<b>18,773</b>	<b>200,285</b>
Public safety					
Police	59,000	59,000	58,245	755	62,140
Fire department	37,000	37,000	33,310	3,690	38,704
<b>Total Public safety</b>	<b>96,000</b>	<b>96,000</b>	<b>91,555</b>	<b>4,445</b>	<b>100,844</b>

# Boston Township

Ionia County, Michigan

General fund

## Budgetary Comparison Schedule

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Original budget	Final budget	Actual	Variance with final budget	2007
<b>Public works</b>					
Drains	\$ 500	\$ 500	\$ 1,024	\$ (524)	\$ 308
Street lighting	240	240	241	(1)	286
Highways, streets and bridges	104,000	102,000	102,257	(257)	83,089
<b>Total Public works</b>	<b>104,740</b>	<b>102,740</b>	<b>103,522</b>	<b>(782)</b>	<b>83,683</b>
<b>Health and welfare</b>					
Ambulance	10,500	10,500	10,414	86	10,414
<b>Community and economic development</b>					
Economic development	2,937	2,937	-	2,937	2,937
<b>Other governmental functions</b>					
Insurance	4,200	4,200	4,013	187	4,126
Retirement	12,000	10,000	10,390	(390)	9,331
Social security	1,200	1,200	1,205	(5)	1,591
Other	1,000	1,000	1,394	(394)	-
<b>Total Other governmental functions</b>	<b>18,400</b>	<b>16,400</b>	<b>17,002</b>	<b>(602)</b>	<b>15,048</b>
<b>TOTAL EXPENDITURES</b>	<b>441,157</b>	<b>431,657</b>	<b>406,800</b>	<b>24,857</b>	<b>413,211</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,277)</b>	<b>(3,927)</b>	<b>36,924</b>	<b>40,851</b>	<b>16,873</b>
<b>Fund balance at beginning of year</b>	<b>472,727</b>	<b>472,727</b>	<b>472,727</b>	<b>-</b>	<b>455,854</b>
<b>Fund balance at end of year</b>	<b>\$ 467,450</b>	<b>\$ 468,800</b>	<b>\$ 509,651</b>	<b>\$ 40,851</b>	<b>\$ 472,727</b>



# Boston Township

Ionia County, Michigan

Public Improvement Revolving Special Revenue Fund

## Balance Sheet

March 31, 2008

	2008	2007
<b>ASSETS</b>		
Cash	\$ 102,818	\$ 76,794
Investments	412,058	401,289
<b>TOTAL ASSETS</b>	<b>\$ 514,876</b>	<b>\$ 478,083</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>FUND BALANCES</b>		
Reserved for capital projects	\$ 514,876	478,083

# Boston Township

Ionia County, Michigan

Public Improvement Revolving Special Revenue Fund

Budgetary Comparison Schedule

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Actual	2007
<b>REVENUE</b>		
Interest and dividends	\$ 36,793	\$ 23,503
<b>NET CHANGE IN FUND BALANCES</b>	<b>36,793</b>	<b>23,503</b>
<b>Fund balance beginning of year</b>	<b>478,083</b>	<b>454,580</b>
<b>Fund balance end of year</b>	<b>\$ 514,876</b>	<b>\$ 478,083</b>

## **NONMAJOR GOVERNMENTAL FUND STATEMENTS**

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# Boston Township

Ionia County, Michigan

Nonmajor Funds

Combining Balance Sheet

March 31, 2008

	Debt Service Funds			Capital Projects Fund		
	Paradise Park	Breezy Point	Tiffany Paving	Tiffany Construction		Total
<b><u>ASSETS</u></b>						
Cash	\$ 12,830	\$ 4,904	\$ 30,837	\$ 10,296	\$	58,867
<b><u>LIABILITIES AND FUND</u></b>						
<b><u>BALANCES</u></b>						
<b>FUND BALANCES</b>						
Reserved for						
Debt Service	\$ 12,830	\$ 4,904	\$ 30,837	\$ -	\$	48,571
Capital projects	-	-	-	10,296		10,296
<b>TOTAL FUND BALANCES</b>	<b>12,830</b>	<b>4,904</b>	<b>30,837</b>	<b>10,296</b>		<b>58,867</b>

# Boston Township

Ionia County, Michigan

Nonmajor Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

March 31, 2008

	Debt Service Funds			Capital Projects Fund	
	Paradise Park	Breezy Point	Tiffany Paving	Tiffany Construction	Total
<b>REVENUE</b>					
Special assessments	\$ 11,066	\$ 4,528	\$ 25,096	\$ -	\$ 40,690
Interest and dividends	33	7	48	24	112
<b>TOTAL REVENUE</b>	<b>11,099</b>	<b>4,535</b>	<b>25,144</b>	<b>24</b>	<b>40,802</b>
<b>EXPENDITURES</b>					
Debt Service					
Principal	12,577	3,703	11,000	-	27,280
Interest	1,423	297	6,769	-	8,489
Capital outlay	-	-	-	80	80
<b>TOTAL EXPENDITURES</b>	<b>14,000</b>	<b>4,000</b>	<b>17,769</b>	<b>80</b>	<b>35,849</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,901)</b>	<b>535</b>	<b>7,375</b>	<b>(56)</b>	<b>4,953</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>15,731</b>	<b>4,369</b>	<b>23,462</b>	<b>10,352</b>	<b>53,914</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 12,830</b>	<b>\$ 4,904</b>	<b>\$ 30,837</b>	<b>\$ 10,296</b>	<b>\$ 58,867</b>

# Boston Township

Ionia County, Michigan  
Paradise Park Debt Service Fund  
Balance Sheet  
March 31, 2008

	2008		2007	
<b>ASSETS</b>				
Cash	\$	12,830	\$	15,731
<b>LIABILITIES AND FUND EQUITY</b>				
<b>FUND BALANCES</b>				
Reserved for debt service	\$	12,830	\$	15,731

# Boston Township

Ionia County, Michigan

Paradise Park Debt Service Fund

## Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Original and final budget	Actual	Variance with final budget	2007
<b>REVENUE</b>				
Special assessments	\$ 11,484	\$ 11,066	\$ (418)	\$ 15,211
Interest and dividends	25	33	8	25
<b>TOTAL REVENUE</b>	<b>11,509</b>	<b>11,099</b>	<b>(410)</b>	<b>15,236</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	13,000	12,577	423	14,214
Interest	2,000	1,423	577	786
<b>TOTAL EXPENDITURES</b>	<b>15,000</b>	<b>14,000</b>	<b>1,000</b>	<b>15,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,491)</b>	<b>(2,901)</b>	<b>(1,410)</b>	<b>236</b>
Fund balance beginning of year	15,731	15,731	-	15,495
Fund balance end of year	\$ 12,240	\$ 12,830	\$ (1,410)	\$ 15,731

# Boston Township

Ionia County, Michigan

Breezy Point Debt Service Fund

Balance Sheet

March 31, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ 4,904	\$ 4,369
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND BALANCES</u></b>		
Reserved for debt service	\$ 4,904	\$ 4,369



# Boston Township

Ionia County, Michigan

Breezy Point Debt Service Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Original and final budget	Actual	Variance with final budget	2007
<b>REVENUE</b>				
Special assessments	\$ 2,100	\$ 4,528	\$ 2,428	\$ 3,520
Interest and dividends	7	7	-	6
<b>TOTAL REVENUE</b>	<b>2,107</b>	<b>4,535</b>	<b>2,428</b>	<b>3,526</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	3,600	3,703	(103)	4,182
Interest	400	297	103	518
<b>TOTAL EXPENDITURES</b>	<b>4,000</b>	<b>4,000</b>	<b>-</b>	<b>4,700</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,893)</b>	<b>535</b>	<b>2,428</b>	<b>(1,174)</b>
Fund balance beginning of year	4,369	4,369	-	5,543
Fund balance end of year	\$ 2,476	\$ 4,904	\$ 2,428	\$ 4,369

# Boston Township

Ionia County, Michigan

Tiffany Paving Debt Service Fund

Balance Sheet

March 31, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ 30,837	\$ 23,462
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND BALANCES</u></b>		
Reserved for capital projects	\$ 30,837	23,462

# Boston Township

Ionia County, Michigan

Tiffany Paving Debt Service Fund

## Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended March 31, 2008 with comparative actual amounts for 2007

	Original and final budget	Actual	Variance with final budget	2007
<b>REVENUE</b>				
Special assessments	\$ 16,468	\$ 25,096	\$ 8,628	\$ 24,431
Interest and dividends	10	48	38	31
<b>TOTAL REVENUE</b>	<b>16,478</b>	<b>25,144</b>	<b>8,666</b>	<b>24,462</b>
<b>EXPENDITURES</b>				
Principal	11,000	11,000	-	11,000
Interest	6,800	6,769	31	7,292
<b>TOTAL EXPENDITURES</b>	<b>17,800</b>	<b>17,769</b>	<b>31</b>	<b>18,292</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,322)</b>	<b>7,375</b>	<b>8,635</b>	<b>6,170</b>
<b>Fund balance beginning of year</b>	<b>23,462</b>	<b>23,462</b>	<b>-</b>	<b>17,292</b>
<b>Fund balance end of year</b>	<b>\$ 22,140</b>	<b>\$ 30,837</b>	<b>\$ 8,635</b>	<b>\$ 23,462</b>

# Boston Township

Ionia County, Michigan

Tiffany Paving Capital Projects Fund

Balance Sheet

March 31, 2008

	2008	2007
<b><u>ASSETS</u></b>		
Cash	\$ 10,296	\$ 10,352
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND BALANCES</u></b>		
Reserved for capital projects	\$ 10,296	\$ 10,352

# Boston Township

Ionia County, Michigan

Tiffany Paving Capital Projects Fund

Statement of Revenue, Expenditures and Changes in Fund Balances

For the year ended March 31, 2008 with comparative actual amounts for 2007

	2008	2007
<b>REVENUE</b>		
Interest and dividends	\$ 24	\$ 23
<b>EXPENDITURES</b>		
Capital outlay	80	-
<b>NET CHANGE IN FUND BALANCES</b>	(56)	23
<b>Fund balance beginning of year</b>	<b>10,352</b>	<b>10,329</b>
<b>Fund balance end of year</b>	<b>\$ 10,296</b>	<b>\$ 10,352</b>

## Long-term Debt Schedules

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# Boston Township

Ionia County, Michigan

Schedule of Bonded Debt

Paradise Park Special Assessment Debt

March 31, 2008

Year ended	Interest Rate	Principal		Interest		Total
2009	5.200%	\$	14,046	\$	730	\$ 14,776
Totals		\$	14,046	\$	730	\$ 14,776

# Boston Township

Ionia County, Michigan

Schedule of Bonded Debt

Breezy Point Special Assessment Debt

March 31, 2008

Year ended	Interest Rate	Principal		Interest		Total
2009	5.200%	\$	1,939	\$	1,083	\$ 3,022
Totals		\$	1,939	\$	1,083	\$ 3,022



# Boston Township

Ionia County, Michigan

Schedule of Bonded Debt

Tiffany Street Special Assessment Debt

March 31, 2008

Year ended	Interest		Principal, June 1	Interest, June 1	Interest,		Total
	Rate				December 1		
2009	4.750%	\$	11,000	\$	3,254	\$	17,247
2010	4.750%		11,000		2,993		16,724
2011	4.750%		15,000		2,731		20,106
2012	4.750%		11,000		2,375		15,489
2013	4.750%		15,000		2,114		18,872
2014	4.750%		11,000		1,758		14,254
2015	4.750%		11,000		1,496		13,731
2016	4.750%		11,000		1,235		13,209
2017	4.750%		15,000		974		16,592
2018	4.750%		11,000		618		11,974
2019	4.750%		15,000		356		15,356
Totals		\$	137,000	\$	19,904	\$	173,554

## AUDITORS' REPORTS

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## Internal Control Matters

September 24, 2008

The Township Board  
Boston Township  
Ionia County, Michigan

The following comments pertain to our audit of the financial records of Boston Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Identified in an Audit" which has the following two unconditional requirements:

- The auditor must evaluate identified control deficiencies and determine whether those deficiencies, individually or in combination, are significant deficiencies or material weaknesses.
- The auditor must communicate, in writing, significant deficiencies and material weaknesses to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following are examples of circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Boston Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Boston Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Boston Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- Employees or management who lack the qualifications and training to fulfill certain functions; specifically, the lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style with a large, stylized 'D' and 'W'.

Douglas Wohlberg CPA  
Grand Rapids, Michigan  
September 24, 2008

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Boston Township  
Ionia County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Boston Township for the year ended March 31, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 13, 2008.

### Significant Accounting Practices

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Boston Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Describe most significant estimate(s)

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of risk management in Note 8 to the financial statements. The Village is exposed to various risks related to property loss, torts, errors and omissions and employee injuries. The Village is covered by insurance through the MCM Group..

To the Township Township Board  
Boston Township  
Ionia County, Michigan

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management In performing and completing our audit.

**Audit Adjustments (Corrected and Uncorrected Misstatements)**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either Individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included In the management representation letter dated Township.

**Management Consultations With Other Independent Accountants**

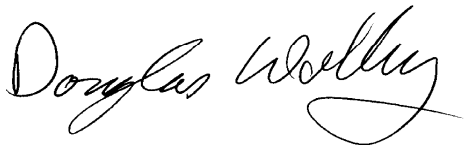
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred In the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Boston Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Grand Rapids, Michigan  
September 24, 2008

# Douglas Wohlberg CPA

## Comments On Significant Internal Control Areas for

### Boston Township

For the Year Ended March 31, 2008

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Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation
2. What audit assertions apply to this control
3. Is the control a key control
4. Is the control dependent on IT
5. Is the control manual or automated
6. Is the control properly designed
7. Is the control implemented
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible

The significant internal control areas of Boston Township are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Township's internal controls, based on our observations during the 2007-08 audit process.

#### GENERAL CONTROLS

- The Township should complete a documented system of its accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.
  1. There is no documentation of the Township's accounting procedures and internal controls.

#### BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

#### CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
  1. Tax Account Agency Fund disbursement checks should be reviewed by someone independent of the Treasurer's office. A monthly disbursement report listing checks written could be presented to the Township Board for review and/or reviewed by the Township Clerk on a regular basis.
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures
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# **Douglas Wohlberg CPA**

## **Comments On Significant Internal Control Areas for**

### **Boston Township**

**For the Year Ended March 31, 2008**

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#### **INVESTMENTS**

- Investment policy adoption/implementation/monitoring procedures
  1. The Township Investment Policy should be reviewed annually by the Treasurer and the Township Board (or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Township governance (a Township Board or Finance Committee member) should be responsible for reviewing Township investments on a regular basis to insure that the requirements of the Investment Policy are being followed.
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

#### **REVENUES AND RECEIVABLES**

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

#### **EXPENDITURES AND PAYABLES**

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
  1. Checks written by the Township Treasurer for property tax disbursements should be presented to the Township Board for review and approval.
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

#### **PAYROLL**

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

# **Douglas Wohlberg CPA**

## **Comments On Significant Internal Control Areas for**

### **Boston Township**

**For the Year Ended March 31, 2008**

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#### **CAPITAL ASSETS**

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
  - 1. The Township Clerk should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.

#### **DEBT AND DEBT SERVICE**

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

#### **INFORMATIONAL TECHNOLOGY**

- Internal control framework – policies and procedures
  - 1. The Township should consider adopting a written set of policies and procedures to help establish a documented stable and secure IT environment.
- Township personnel are prohibited from making changes to master files
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access to only applications or files that are necessary for their duties
- Passwords are required to be complex and to be changed at regular intervals
  - 1. The passwords used to access accounting and other software should be changed at regular intervals.
- There are appropriate documented procedures for back-up and storage of applications and data files
  - 1. Backups of data on Township software are performed on a regular basis and rotated offsite by a Township official. This process should be formalized and documented, and consideration should be given to encrypting or password protecting the backed up data.
- There is a documented disaster recovery plan and it has been tested
  - 1. There is no current documented plan.